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August 21, 1997

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FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON, D.C. 20541

The Honorable Reed Hundt  
Chairman  
Federal Communications Commission  
1919 M Street, N.W.  
Room 814  
Washington, D.C. 20554

Re: Urban Communicators PCS Limited Partnership -- Broadband PCS C and F  
Block Installment Payment Restructuring: WT Docket No. 97-82

Dear Mr. Chairman:

The Commission is currently considering whether to restructure C-Block license installment payments, and if so, in what manner. Urban Communicators PCS Limited Partnership ("Urban Comm") requests that the Commission consider adopting a set of options for restructuring the installment payments of the C-block licensees in a manner that will allow them to bring meaningful competition to the wireless industry. Below we have set out the principal questions and answers which the Commission should consider with respect to: (1) why restructuring is appropriate, and (2) why the Commission should adopt a group of options from which C-block licensees should be allowed to choose.

A. How did the situation develop which now requires C-block restructuring?

The Commission developed the C-block after Congress directed the Commission to fashion auction rules which would attract new entrants, including small businesses, businesses owned by minorities and women, and rural telephone companies ("the designated entities") into the wireless industry. Congress sought to encourage new competition in the wireless industry from the designated entities, because the designated entities either had been unable to compete in the wireless industry or had been unwilling to even attempt to compete in that industry, which is dominated by a small group of America's largest companies.

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The Commission was very successful in attracting the designated entities into the auction. However, for reasons beyond their control, a majority of the licensees in the C-block have been unable to obtain financing, and, therefore, have not been able to begin construction of their systems as quickly as they expected. Consequently, these licensees are also unable to pay their license debt to the Commission on the timetable the Commission established. In response, the licensees have come forward with numerous proposals for consideration by the Commission which would enable the licensees to construct their systems, provide new competition in the wireless industry and provide new wireless services and choices for consumers.

B. Why is restructuring C-block installment payments in the public interest?

Urban Comm submits that the C-block was essentially an experiment to bring competition into an industry where small businesses have historically been unable to enter or survive. Now that the experiment has run in to some problems, the Commission must decide whether to scrap the experiment -- and in the process throw many small businesses into bankruptcy -- or attempt to refine the experiment so that the intended objective of Congress can be achieved. Urban Comm submits that the Commission should make a reasonable effort to find a way to save the experiment and facilitate completion of construction and build out by the C-block. This is the fastest and fairest way to provide new competition and new service to the American public.

C. What should the Commission do?

In order to enable the C-block to complete construction and build out, Urban Comm submits that the Commission should allow C-block licensees to choose between any of the three following options for completing payment for their licenses:

D. Option 1

1. Restructure interest payments. A licensee would be granted a one year deferral of interest payments on its debt. At the end of that year, the licensee would be required to demonstrate that it had funds on hand sufficient to pay the accrued interest for that year, and must certify that, if given an opportunity to defer the interest payment due at that time, the licensee will use the funds to continue build out of its network. If the licensee meets these tests, the licensee would be granted a second year of deferral of interest payments. At the end of the second year, the licensee would be required to demonstrate that it has sufficient funds to pay its interest due for the second year and also demonstrate that it has made substantial progress toward build out of its network during the preceding year. If the licensee meets these tests, it would be granted a final year of deferral of interest. At the end of the third year, the licensee would resume quarterly interest payments in accordance with the current payment schedule at its current interest rate. In exchange for the

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deferral, the licensee would agree that the applicable interest rate for the deferral period would be increased by 0.5% above the licensee's currently applicable interest rate ("the deferred interest surcharge"). All accrued and unpaid interest, based upon the deferred interest surcharge, for the first three years would be paid in a balloon payment at year ten.

Option 1 -- Public Interest Benefits:

- Allows immediate new service to the public.
- Provides immediate competition in the market.
- Preserves full payment of debt to the U.S. Government.

Option 1 -- Penalty to Licensee:

- Deferred interest surcharge of 0.5%.

Option 1 -- Benefit to Licensee:

- Ability to move forward immediately with construction of system.

E. Option 2

2. Disaggregate 10 MHz of C-block spectrum. The Commission should allow C-block licensees the option of turning in to the Commission for re-auction 10 MHz of their C-block spectrum. Re-auction would retain the current entrepreneur block eligibility standards for participants. In exchange for turning in the spectrum, the licensee would be given a prorata reduction in the amount bid for its spectrum, and its debt due to the Commission would be adjusted accordingly. For example, a licensee turning in 10 MHz would have its bid price reduced by one-third. The money previously paid to the Commission by the licensee in excess of its adjusted down payment obligation would be credited to the licensee's next required interest payments.

Option 2 -- Public Interest Benefits:

- Provides 10 MHz of spectrum for immediate re-auction to qualified entrepreneur block bidders.
- Allows existing licensees to provide immediate service to consumers.
- Allows existing licensees to provide immediate competition in the market.
- Preserves majority of existing debt to the U.S. Government.

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Option 2 -- Penalty to Licensee:

- Loss of 10 MHz of spectrum.
- Entry of new competitor in the market.

Option 2 -- Benefit to Licensee:

- Ability to move forward immediately with construction of system.
- Reduction of license debt by one-third.
- Opportunity to bid in re-auction.

F. Option 3

3. Return licenses and re-auction. The Licensee could turn in some or all of its C-block licenses for re-auction. The licensee would be relieved of all auction debt for the turned-in licenses and would be allowed to utilize some or all of the funds previously paid to the Commission as a down payment in the re-auction. The licensee would be allowed to bid on any markets in the re-auction. Eligibility for the auction would be limited to those entities which qualify under the existing entrepreneur block rules.

Option 3 -- Public Interest Benefits:

- Provides 30 MHz licenses for immediate re-auction to entrepreneurs.
- Avoids lengthy bankruptcy proceedings.
- Permits service to the public without burden of license debt.

Option 3 -- Penalty to Licensee:

- Loss of licenses.
- Loss of some portion of downpayment and interest payments.
- Delay and uncertainty with respect to timing and results of re-auction.

Option 3 -- Benefit to Licensee:

- Elimination of current license debt.
- Opportunity to bid in re-auction.

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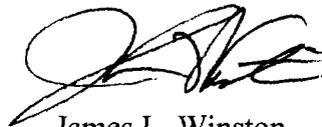
G. Conclusion

Various parties have proposed to the Commission variations of all of these options, but none of these options has gained universal support among the C-block, because different licensees require different options due to their respective business constraints. While Urban Comm favors Option 1, Urban Comm proposes that the Commission adopt all three options and allow each licensee to choose the option which meets its business constraints.

As the Commission has been advised by many parties, time is of the essence with respect to a Commission decision in this proceeding. Although the Commission has been careful not to promise any change in payment timetables or obligations for C-block licensees, the financial markets are at a standstill awaiting Commission action. Urban Comm and most other C-block licensees are unable to move forward with their financing due to the financial market standstill. We, therefore, request that the Commission adopt the proposals set forth herein promptly.

We look forward to an opportunity to discuss these proposals with you and the other Commissioners in the near future.

Sincerely,



James L. Winston

Secretary and General Counsel

Urban Communicators PCS Limited Partnership

JLW/kn

cc: The Honorable James Quello  
The Honorable Susan Ness  
The Honorable Rachelle Chong  
Congressman Edolphus Towns  
Congressman Albert Wynn  
Congressman Bobby Rush  
Congresswoman Maxine Waters  
William Kennard

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William Caton